

A Work Project, presented as part of the requirements for the
Award of a Master's Degree in Management from the NOVA –
School of Business and Economics

INTERNATIONALIZATION

STRATEGY OF *RELANCE*

SHOES TO SINGAPORE



Stephanie Marques # 1509

A project carried out on the SME Competitiveness: Internationalization

Strategy Field Lab, under the supervision of:

PROF. SÓNIA DAHAB

December 2014

Contents

EXECUTIVE SUMMARY	3
METHODOLOGY	2
COMPANY BACKGROUND	3
Positioning and identity of the <i>RELANCE</i> brand	Error! Bookmark not defined.
Value Chain of <i>RELANCE</i>	8
VRIO of <i>RELANCE</i>	8
Industry Map of <i>RELANCE</i>	9
COUNTRY SELECTION	9
PESTEL ANALYSIS SYNOPSIS	13
PORTER'S 5 FORCES – Singaporean Footwear Industry	12
SWOT ANALYSIS of <i>RELANCE</i>	13
TOWNS ANALYSIS of <i>RELANCE</i>	16
INTERNATIONALIZATION PLAN	18
MODE OF ENTRY	18
IMPLEMENTATION PLAN	19
Marketing Mix	19
Product	19
Price	19
Promotion	19
Distribution channel	19
4M's	19
Men	19
Money	19
Minute	19
Memo	19
FINANCIAL PROJECTIONS	27
RISK ANALYSIS	27
CONCLUSION AND RECOMMENDATION	30
REFERENCES	30

EXECUTIVE SUMMARY

RELANCE is a footwear company located in Santa Maria da Feira, whose product, made exclusively for women, is characterized by its quality and its superior natural finishing, being able to provide a unique sense of touch, and resulting in a product with a bold design and a high degree of comfort.

Due to the limitations of the Portuguese market, *RELANCE* has always aspired from the beginning, in 2004, to lead the brand abroad and now is present in over 25 countries in 5 continents.

RELANCE intends in 2017 to increase by 34% its own brand sales, using the brand name *RELANCE -Very Me*.

This Internationalization Plan, focused on Singapore as a strategic hub to reach Southeast Asia, will be an asset for the company's portfolio.

Singapore has become an attractive country in the past five years, due to having inexistent barriers to entry, being a dynamic center for the fashion and footwear sectors and due to its average consumer having a high purchasing power. This work aims to provide a recommendation on the best internationalization strategy for the *RELANCE* Company so that its implementation is carried out successfully and to ensure the sustainability of future business growth.

In short, the results strongly suggest that *RELANCE* will successfully penetrate the Singaporean market.

Key words: *RELANCE*, footwear, Singapore, Internationalization Plan

METHODOLOGY

The first part is a report, had as its main objective gathering extensive knowledge of the Portuguese footwear industry, using the partnership created with *APICCAPS*. Afterwards, one of the most important steps in this work was a personal visit to the company that I am studying. Subsequently, after collecting all the necessary information, ranking the data in terms of relevance became the second step of this work: a market study, developed by myself in order to select a country for the implementation of an internationalization strategy.

The logical sequence underlying this project and its breadth subject was only possible due to the assistance and collaboration of various entities. Throughout the whole process, *APICCAPS*, including Mr. Carlos Silva were extremely helpful and were tireless in answering the many questions that kept arising. The cooperation of one of *RELANCE*'s partners, Mr. Armando Silva, was very useful, having been in daily contact via email. Sean Story's collaboration was very valuable to improve research, both on the online library platform and in the physical library itself. The constant emails exchanged with members of *AICEP*- Global Portugal were essential to obtain free of charge information regarding the Singaporean market, in particular through Mr. Manuel Garcia, of the Agency for Investment and Foreign Trade of Portugal and through Ms. Maria John Liew, a Business Development Manager based in Malaysia. The full report on the *RELANCE* Company was provided by Informa B&D¹, a consulting company, although it was important to reconcile this data through interviews with the partner of this company. An expatriate living in Singapore was interviewed, Fatima Ionescu, in order to obtain information as realistic as possible about the Singaporean lifestyle and way of living. Professors with strategy as their area of expertise were also contacted in order to support with some of the more peculiar issues encountered. The constant feedback given by professor Sonia Dahab was a prized asset for the execution of a coherent and professional project.

An handicap in the *RELANCE* site was not having it translated in French, wanting the company increase its market share in this country.

Thus, and being French my second language, It was a great pleasure did all the translation of the site, so that it could gain more visibility and of course I will feel more touch to this project and company, contributing for its improvement.

¹ <https://www.informadb.pt/idbweb/>

COMPANY BACKGROUND

RELANCE is a Portuguese company that was created in September 2004, as a result of a joint effort between three partners. Armando Melo da Silva, Manuel André Ferreira da Silva Soares and Pedro Gil Nunes da Silva Ferreira, each with shares of 33.33%, of a total capital of 60 hundred euros (**exh1**). They divided their function by Financial Manager, Product Manager and Marketing / Export Manager, respectively (**exh1.1**).

The project began when a company in the same industry suffered from an irreversible crisis and had to close its doors. The three partners with extensive experience in this industry saw an opportunity. The aim would be to buy the bankrupt company at auction with all its contents. This idea became a reality.

Therefore, it was important to acquire a company that was already set up, facilitating the process. An additional asset was that the original company left its contact list of clients. Even before bankruptcy the company had on hand an order from a customer in the Scandinavian countries. This was the origin of this great deal led by a very solid and knowledgeable team with a good product and a good process.

In that way, *RELANCE* does not have a specific mission and vision. So, in accordance to the entire information, I was able to create a Mission and a Vision to this company as well as its values.

As **mission**, *RELANCE* intends to develop, produce and sell shoes for a stylish, modern, cosmopolitan woman who values comfort and well-being through a "savoir-faire" that represents quality and distinction.

The *RELANCE* **vision** for the next three years, is increasing its own brand in the portfolio to 34%, as well as developing the product portfolio for warm seasons. Relance want to increase its clients portfolio around the world as also its volume of orders. As **values**, *RELANCE* desires to be recognized by its expertise in footwear industry, integrity, confidence, reliability, transparency, collaboration, quality and one of the most important, its passion creating quality products for cosmopolitan women.

RELANCE is characterized by being a second fast-follower on the market. This is because the company partner Mr. Andre Silva makes periodic trips to countries around the world in order to acquire exclusive shoes, for which he pays €1000. The objective is to bring these designer label shoes to the *RELANCE* Company, study

them, carry out some small changes and produce a similar low cost model, but with an appealing and different design.

RELANCE, in turn, has adopted the just-in-time production, in order to reduce inventory costs and to naturally not incur any product losses. So the company produces based on the orders placed in advance.

As of 2007 the company worked with a small number of employees, about 25 and its machinery remained in service, with some repairs and maintenance and it was possible to meet orders mostly from Scandinavian countries. In 2007, *RELANCE* had a boom that made these three partners reconsider the business model developed so far, as well as the logistical organization of the company. This boom was due to a significant factor, such as an order for a Danish customer in private level format for your brand "Bianco".

"Bianco" was already a potential buyer that the *RELANCE* Company had been trying to target since 2004. Focused on this premise, in 2007 *RELANCE* sent to this client a model which they found to be very satisfactory, making it possible for both companies to do business through periodic orders. The following season, *RELANCE* received a high volume of orders from this customer, which enabled the business to increase its sales, at a time when the partners most needed to do so.

Another crucial factor was the partnership created between *RELANCE* and *APICCAPS*, which helped in terms of logistics and visibility. From 2007, *RELANCE* became part of a range of companies in the footwear industry participating in international fairs in order to promote products and gain new customers and increase visibility globally. Given this expansion, the company had to evolve, employing over 15 new employees and investing in additional new machinery (**exh2**).

Given all this positive growth and the future expectations of the three partners, the management decided to adjust its strategy of internationalization and in 2009 created its own brand, *RELANCE- Very Me!* The launch of the brand held in MICAM, the largest international trade fair in the sector in Italy and the company now presents its collection twice a year, at this event. As a good success story facing ups and downs, *RELANCE* was no exception.

In 2011, the company suffered a small fire in a warehouse and the resulting damage affected more than half of the company. The entire inventory was burned and machinery was damaged, mostly due to heat resulting from the caused warmth. This

moment was crucial and challenging and tested how strong the relationship was among the three partners and their ability to cope with pressure.

It was a time of much reflection, that it was thought the worst. Since we are dealing with a company with strong ties in personal terms, as well as professional terms, this fire was seen as a challenge and not an "end of history". These three partners began immediately to devise a strategy for rapid recovery to meet orders already processed, as well as future employment. The year of the fire, clearly led the company to a negative *EBITDA*, but the past two years had seen significant recovery and already this year, in 2014, it is expected to have positive *EBITDA* (**Exh3**).

Today, the company exports to all continents and is present in over 25 countries. The company produces over 100,000 pairs of shoes per year (**Exh4**). *RELANCE* Company is reach this year, 2014, 83% of private label and 17% of own brand in its portfolio.

The company prides itself on the quality of the product, made with a natural finish, with a unique feel, resulting in a shoe with style, high design and comfort levels well above average. In the view of the company, the *RELANCE* shoe is ideal for women between 25-49 years who like modern, fashionable shoes with special attention to their appearance, without abandoning their casual appeal, cosmopolitan style and comfort. The company excels and gives high regard to the shape of the shoe, because this aspect is able to "tell a story"; it's the beginning for a new pair of shoes to go through the entire production chain and reaches the final customer with quality and "character" (**exh5**). In **exh6** is possible to see the different shapes of *RELANCE* shoes.

POSITIONING AND IDENTITY OF THE RELANCE BRAND

Through the analysis of the company and several contacts I was able to define the positioning and identity of the *RELANCE* brand.

In marketing, positioning a brand becomes very important because it is the space that a product occupies in consumers' minds in a particular market.

Thus, it is clear that *RELANCE* needs to position itself in the market with dexterity. However, given that the company sells 83% of its production under private label, the task of increasing brand awareness for current and potential consumers will be a difficult one, due to the prestige being allocated to the brand that puts its name on the product produced in the *RELANCE* Company. Given the circumstances and taking into account certain limitations, the company will try to work together to invest in its

own brand, through which it can best "enter" potential consumers' mindsets, through its name and its quality. The objective will be to first identify the company's target, the cosmopolitan woman who values a comfortable shoe with appealing design. It must then ensure that the *RELANCE* product is to target the high-medium segment, by negotiating store shelf space, making use of brand promotion, creating a Facebook page in order to be aware of upcoming trends and of course not underestimating the power of the footwear cluster.

David A. Aaker² established a planning brand identity model covering the key points in the building and management of the identity of a brand, namely, the identity structure, the value proposition, the role of credibility and the brand-customer relationship. Furthermore, in 2009 Carolyn Scharf³ published a study that added a very important point to this premise: human capital. Therefore, The *RELANCE* Company has proven to have a strong and cohesive team which was able to overcome the tragic factory fire, having done virtually everything in its reach to avoid losing its customer base and fulfilling in an almost miraculous way orders that continued to arrive. Its value proposition focuses on their manufacturing in Portugal, using **95% Portuguese products**, coming from Portuguese factories, using natural quality leather, with a huge **focus on product finishing** and never neglecting the bold **design**, necessary to fully please the urban woman.

RELANCE's objective is to **convey a solid, honest and credible image**, in line with the work and effort that it has shown since 2004. Its B2B brand-customer relationship is commendable, making it an advantage to continue to create and maintain these synergies.

RELANCE needs to be recognized in consumers' mind by these values:

Flexible: Easy upgrade

Powerful: Strong Image

Comfortable: Quality of raw materials

Cosmopolitan: Adapted to the cities

International Design: Present in over 25 countries

Fashion: Responds to the market trends

² David A. Aaker (Fargo, 1938) is a retired American professor of marketing Haas School of Business at the University of California at Berkeley. Aaker is the author of several books and articles on brands and known to have developed a calculation model of brand equity.

³ A strategic thinker with the ability to creatively link communication objectives to marketing and brand positioning goals

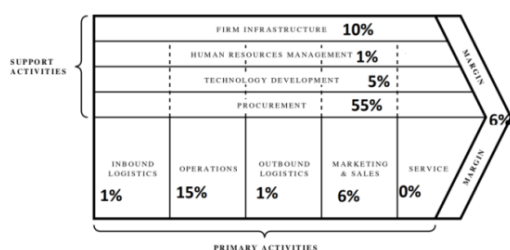
VALUE CHAIN OF RELANCE

The concept introduced by Michael Porter in 1981, the highly acclaimed Value Chain, has become one of the essential tools that represent the chain of activities undertaken by an organization, from relations with suppliers, production cycles, sales to the distribution phase.

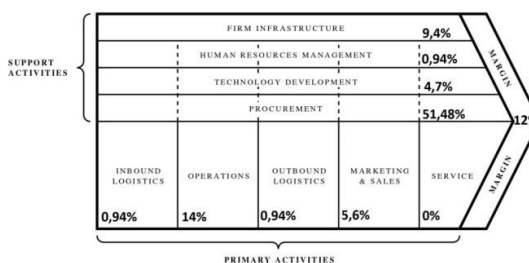
Concerning that *RELANCE* do not have a value chain theoretically, I decided to visit the entire company, understanding the process of fabrication from the moment zero until the end, the shoe by itself. The entire value chain is present and explained in **exh7**.

As we can see by the figures below, *RELANCE* has a total of 12% of margin dealing with “own brand”, contrary when dealing in private label, with a margin of 6%. *RELANCE* has a big concern in terms of R&D, because of the importance of constant innovation, and also in terms of Operations, when the “finishing part” of the shoe is very important. Once they use excellent products to finish the shoe and the last procedure is made by two persons, instead of a machine. In this way *RELANCE* could have a higher quality and improve the visibility of the shoe.

Private Label



Own Brand



VRIO of RELANCE

In the inbound logistics process, *RELANCE* has been very high concern to the quality of raw materials. One of the most important think to them is to have the least chemicals as possible. This fact brings a huge opportunity to the company works the leather as they wish. In the operations, the company is giving a big effort in the stage of completion of the product, making the shoes more resistant and comfortable.

Relating to the competences of *RELANCE*, Mr. Andre Silva, the product manager, has a huge knowledge in the footwear industry, due his experience in many national and international companies. Further, Mr. Andre Silva has a **big networking in the footwear industry**, which developed during his past experiences, companies as

well as travels. In the technology department *RELANCE* implemented a **new and unique system of handling the production** comparing with others companies in the footwear industry, verifying if the orders are made according to the expectations (**exh9**, flowchart). This system makes the production more efficient and effective, once the employees are able to follow the expected production and also to be more involved in the process. With this technology, *RELANCE* is informed every second, making decision quickly, if necessary. Finally, *RELANCE* has a higher control of the total production.

Concluding the *VRIO* theme and analysing the **exh8**, it is clear that the Relance Company has two big competitive advantages, in terms of Physical and Organizational Resources. In the same framework, it is possible to see that comparing with international brands, *RELANCE*, has a huge package concerning his characteristics, as **comfort, design, resistance**, comparing with its international competitors such as Charles & Keith, H&M, Zara and Low cost brands. In **terms of price**, *RELANCE* has advantage comparing to LVMH Group, Prada and Gucci.

Due to *RELANCE*'s factory machines' flexibility and the company's highly experienced workers, the company is capable of producing distinct models on the same day, without actually making any major changes to its logistic chain.

INDUSTRY MAP OF RELANCE

The industry map is an important tool to understand, in a simplistic way, the negotiation links between Relance and the other players participating in the process. In relation to the **suppliers**, Relance gives full priority to the quality of raw materials, especially in terms of leather. It then takes into account the price, the fulfillment of the delivery deadlines and the payment conditions (**exh10.1**, list of *RELANCE* suppliers).

The **client** list of the Company is only in terms of B2B. Its client portfolio is broad, having both national and international clients. Its relationship with its customers is quite strong, receiving constant feedback from them. In addition to always staying in contact with the company, customers propose ideas for new products, for example fish skin shoes, suggested by a Norwegian customer and which were a major success at the *MICAM* fair last year (**exb10.2**, list of *RELANCE* clients).

In terms of **competition**, the direct competitor was defined as a company that offers women's shoes with high quality, comfort and attractive design. In relation to

non-direct competitors, these were considered to be companies that sell women's shoes with quality or a design similar to the one offered by the *RELANCE* Company.

Relations with *QREN*, *APICCAPS*, *CTCP*, *ISVOUGA*, *CFPIC*, *PEJENE* and *IEFP* have been extremely important for sustaining the company's business, as well as for attracting new potential customers.

The synergies between these associations and the *RELANCE* Company have been praiseworthy. **Exh10** presents the industry map graph of *RELANCE*, created by me.

COUNTRY SELECTION

*"If you were smart in 1807 you moved to London, if
you were smart in 1907 you moved to NEW YORK
City, and if you are smart in 2007 you move to Asia. "*

(Jim Rogers, investor and financial commentator)

In no way ignoring the Asian continent's potential, my choice for Singapore is due to several positive attributes that make this country a strategic location. The rationale will be to "use" the city state as an entry into South East Asia, allowing one to gain maturity and knowledge of the local market and enabling a faster and more accessible entry into other neighboring countries, such as Malaysia (**exh11**, the entire analyses).

PESTEL ANALYSIS SYNOPSIS

A platform for Southeast Asia

The company has not sure where to go. After some researches and studies, Singapore was the country selected by me and afterwards accepted by the company.

Considered to be the **"El Dorado" of Southeast Asia**, Singapore is a country with a successful economy, political stability and that contains all the necessary infrastructure for investment to thrive and for the exploitation of business opportunities by Western companies. For the Portuguese, this is still a relatively new emerging market, but where many business opportunities abound.

The Singaporean market, as well as many other Southeast Asian countries, is still very much unknown to Portuguese businesses and entrepreneurs. The physical distance, the country's relatively short existence (it gained its independence in the 60s)

and the lack of experience working in this region makes Singapore appear distant and devoid of opportunities to Portuguese entrepreneurs.

But what makes Singapore such an attractive market?

Singapore is rightly called the "Switzerland of Asia". With a population of 5 million inhabitants, Singapore has an astonishing **literacy rate of 96.3%**, with 86.3% of the inhabitants having a secondary or higher education. This is a very relevant factor, given that according to *RELANCE*'s target market segment; a high level of literacy is a crucial factor to be taken into account.

Singapore **ranks first in the world** as the best place to do business, according to the "Doing Business 2010", World Bank report. Singapore is also considered to be the second best place to work in the world (Switzerland ranks first), according to the IMD World Competitiveness Yearbook 2010 ranking. The Port of Singapore is the busiest in Asia and the country is the **fourth largest foreign exchange trading center** in the world, after London, New York and Tokyo.

In terms of the political system, the country is very stable, characterized by a firm rule of law and a government that works aggressively with the business community in order to attract more business to the market.

On the other hand, the main focus of the Monetary Authority of Singapore (MAS) is the management of the exchange rate. In 2013, the Singapore dollar stood at 1.3 per dollar and annual inflation reached 2.4%. The key strength of Singapore is its **institutional efficiency and regulatory quality**, with almost non-existent corruption. The country ranked fifth out of 177 countries (together with Norway) in Transparency International's Corruption Perceptions Index in 2013.

In terms of business conditions, Singapore is one of the most developed economies in the world with about 7000 resident multinational companies and 100 000 in total, yielding an enviable business environment.

The real growth rate of Singapore's GDP reached 6.4% in 2013 (1.3% in 2012) supported by a broad recovery in major economic sectors, due to a stimulus package. According to IMF World Economic Outlook, in 2013 the Singapore GDP reached a total of 78762\$US million (104227\$SGD million), **3x higher** comparing to Portugal. The country is the second most competitive in the world, according to the 2007 World Competitiveness Yearbook. It is the second freest economy in the world, after Hong Kong, according to the Index of Economic Freedom, the Wall Street Journal

newspaper and the Heritage Foundation. With no import tariffs and insignificant non-tariff barriers to trade, Singapore has developed into the world's re-export leader.

Singapore has the **highest trade to GDP ratio in the world**, with total trade reaching an overwhelming 386% of GDP, a fact which the Relance Company should take into account in its strategy.

The country is considered to be a **shopper's paradise**, with more than 150 shopping centers and department stores. In terms of the main sales distribution channels of in the country, the department stores accounted for the largest proportion of sales in the Singaporean footwear market in 2013; sales through this channel generated \$284.2M, equivalent to 44.1% of the market's overall value. Sales through clothing, footwear, sportswear and accessories retailers generated revenues of \$263.5M in 2013, equating to 40.9% of the market's aggregate revenues (**exh11.4**). With respect to the sales of the women's footwear industry, we can see a steady increase from 2007 to 2012, reaching a sales volume equal to 11823.6\$M shoes and a sales turnover of 553.5\$M in the last year (**exh11.6**). Forecasts indicate that these figures will continue to increase until at least 2017 (**exh12**, value, % growth).

Among resident employed households, median monthly household income from work increased from \$7,570 in 2012 to \$7,870 in 2013, a 4.0 per cent growth in nominal terms, or 1.6 % in real terms (**exh15.2.1**). In terms of Income Distribution, applying Gini coefficient, the disparity in household income from work per household member among resident employed households declined in 2013. The **Gini coefficient declined from 0,478** in 2012 to 0,463 in 2013 (**exh15.2.3**).

In terms of environmental and social issues, the country has the **best quality of life in Asia** and is ranked 4th in the world, according to the 2014 Environmental Performance Index.

Recently, Singapore has witnessed a major war in the **lifestyle sector**, due to the abundance of Singaporean consumers with a strong desire for premium, well known, European and high quality brands, and the high purchasing power to be able to acquire them.

Much more than a hub, Singapore is a leading tourism destination for business, leisure and shopping. (**exh13**, the entire analysis)

Should the RELANCE brand think twice?

PORTER'S 5 FORCES –SINGAPOREAN FOOTWEAR INDUSTRY

The model designed by Michael Porter becomes a crucial tool for analyzing the competition among companies. Taking a holistic view of all players in the market offers us the opportunity to develop more efficient strategies (**exh15.1**).

Buyer Power

Customers are demanding higher quality at a lower price for goods and services. They also stimulate competition in the industry by playing competitors against each other, forcing down prices. Footwear is an essential good for the human being, leading to a high sales turnover.

Thus, the power of the individual consumer becomes more reduced. Due to the growth and the emergence of various fashion trends and the increasing variety of functional footwear, a high degree of differentiation has emerged in this industry. This differentiation allows each company to leverage their competitive advantages and gain market share within their niches. This increases seller power, as the cost of changing brand is beginning higher for consumers.

As mentioned in PESTEL analysis, according to the department of statistics Singapore, wages in Singapore decreased to 4314 \$SGD in the third quarter of 2014 from 4445 \$SGD in the second quarter of 2014. Wages in Singapore averaged 3046.98 \$SGD from 1989 until 2014.

The consumer bargaining power is high (**exh15.2**). The Gini coefficient decreased from 0,478 in 2012 to 0,463 in 2013. Relance will have to enter the market with a differentiation strategy, as it is competing in the high medium segment to not compete with domestically-based low cost companies. Given the above, customer power is high.

Supplier Power

The research carried out allows us to confirm that the footwear sold in Singapore comes mostly from low cost footwear manufacturers, especially those from Southeast Asia (**exh15.3**).

Because of *RELANCE* limitation in terms of leather, *RELANCE* loses bargaining power when the demands are higher, because it requires more raw-materials, the scarce leather. To solve this problem, I select some producers of leather to *RELANCE* in order to solve this limitation (**exh10.3**).

New Entrants

Singapore has been in the limelight, presenting various macroeconomic and microeconomic features, to portray itself as a country with potential for Portuguese companies and others to invest in. The ease of entry, according to the partnerships developed between the European countries and Singapore, is very relevant and quite attractive for those looking to increase their client portfolio. Increased "lifestyle" awareness has a significant impact for these new companies.

The *RELANCE* brand will thus benefit from the ease of entry into this country and take full advantage of being one of the first Portuguese companies to do so in the upper, middle-class segment (**exh15.4**). The threat of new entrants is very strong.

Threat of substitutes

Market research shows that there is a huge and varied range of national and international companies targeting the lifestyle sector in Singapore.

However the Singaporean market is characterized by having both very expensive brands, mostly foreign, and less expensive brands, mostly from the Asian continent. Middle of the range footwear, which is considered to be the most appropriate for the *RELANCE* brand, is more present in chains whose focus is on clothing, such as H&M, Inditex, etc. **Exh15.5**. confirm that the brands with the most recognition in the Singaporean market are Charles & Keith, followed by Prada and Gucci. Having in mind that RELANCE do not sell for this brands. However, the fact that there are a multitude of brands in Singapore makes it easier to switch brands. In short, we believe that the power of substitutes is high among brands.

Degree of rivalry

There is a high degree of diversity among vendors, with footwear retailers competing with clothing retailers and large supermarket chains. Although there are many retailers in the footwear industry, they satisfy quite different segments. The high-end segment is targeted mainly by LVMH, Prada and Gucci, the low-end segment is targeted by Asian brands, the medium segment is target by Charles & Keith, H&M and Zara, and the sports segment is targeted by Adidas and Nike (**exh15.6**). Overall, the rivalry between footwear retailers is assessed to be moderate.

SWOT ANALYSIS of RELANCE

STRENGTHS

- Portugal's image as a European country
- Leather quality
- Strong industry experience
- Strong cluster relationship
- High flexibility in production
- Extraordinary preoccupation regarding product quality
- Strong client network throughout the world
- Exports to five different continents
- Strong R&D and Innovation
- Management with significant industry experience and know-how (Mr. Andre)
- Strong management
- Good quality-price relationship
- Differentiated products (cork, etc)

WEAKNESSES

- Leather scarcity
- Low brand awareness
- Limited press exposure
- Lack of skilled labor
- Lack of resources (for the night shift)
- Management with significant industry experience and know-how (Mr. Andre)
- End consumer's lack of exposure to Portuguese products
- Absence of Portuguese companies at trade fairs in Singapore

OPPORTUNITIES

- Perception that European products are associated to quality
- The Singaporean consumer has a high income
- Strong yearning for novelties
- Existence of potential market niches
- Singapore a platform for the Asian southeast
- Excellent intellectual property protection, as well as excellent logistics conditions, infrastructure and favorable tax environment
- Key tourism destination for business, leisure and shopping
- "Laboratory" for testing the habits and preferences of Asian consumers
- Partnerships with local companies
- Strong bilateral relationship between Portugal and Singapore

THREATS

- Product and brand competition from other European countries, including Italy and France, and also from the USA and Japan
- Price competition from Asian countries
- Increase in product quality in countries with lower wages
- Brand marketing more difficult due to the proliferation of brands
- Product life cycles increasingly shorter as consumers become more demanding in relation to innovation and variety
- Competitiveness and market dynamics
- Foreign Exchange risk

TOWNS ANALYSIS of RELANCE

Portugal's image - Leather quality / Perception of products associated to their qualities (S1-S2 / O1)

Portugal has been recognized in recent years for the quality of its wines, by its Mediterranean cuisine, among other things. This already present awareness and recognition of Portugal and its products will be the starting point.

Given the reduced awareness of the *RELANCE* brand in Singapore, in order to have a significant impact in any marketing strategy, the objective would be to, upon arrival in the Singaporean market, meet the other companies with brands of Portuguese origin, in order to together create a communication strategy to promote Portuguese products and create a buzz in the market, drawing attention from the media, as well as from Singaporeans.

My suggestion would be to group all Portuguese companies from all sectors, such as footwear, food, clothing, etc. and create an event in one of the most prestigious shopping malls in Singapore, such as Suntec City, Paragon or Marina Square. Each company would have a space to display their products. The event would include a promotional video on Portugal, as well as on Portuguese factories and commerce. Portuguese wine tasting events would take place and, towards the end of the event, a mini *Fado* concert would be performed. Throughout the whole event, Portuguese companies would be carrying out promotions and offers. *RELANCE* alone would arrive faster, but with cooperation it would reach further.

High flexibility of production – Strong R&D and Innovation / Constant desire for innovation (S5-S9 / O3)

Nowadays, products increasingly have shorter life cycles. Society is constantly seeking innovation and addressing this, following the trends and staying one step ahead is one of the company's success factors. Given that Mr. André has extensive experience of the footwear industry and travels frequently, it would be very important that he attempt to be present in as many fashion shows taking place so that he can generate new ideas, adapt them to *RELANCE*'s brand image and figure out how to produce them.

As mentioned in the *VRIO* analysis, due to *RELANCE*'s factory machines' flexibility and the company's highly experienced workers, the company is capable of

producing distinct models on the same day, without actually making any major changes to its logistic chain.

One possible strategy would be for Mr. Andre Silva to be present in avant-garde fashion shows that dictate trends, such as the ones in Paris, and present these in Singapore, in the form of an elegant and refined shoe. This would also leverage on the fact that the Singaporean consumer appreciates and assigns value to designs and ideas from Europe.

***Quality leather –Quality concern – Differentiated products / Price competition
(S2-S6- S13 / T2)***

The Asian market has currently been booming, becoming very prominent at the global level. Due in large part to an abundant, qualified and cheap local workforce, most Asian countries can place into the market highly affordable products. In this context and taking into account *RELANCE*'s target audience, this Asian brands threat does not seem to be very worrying, once they are not competing with our segment, high-medium class.

However, Singaporean consumers have become increasingly price sensitive so their choices could eventually change. Mr Andre Silva should visit Singapore yearly in order to be able to understand any changes in the market and to study the company's competitors, so that in case of any issue or problem, the company is capable of responding promptly.

In this sense, the close connection with intermediaries is vital in order for constant feedback to occur.

***Exports to 5 continents – Strong networking with clients / Foreign exchange risk
(S8- S7 / T7)***

The entry of a company in a new market always has to be thoroughly studied in order to reduce the chances of failure, as well as to prepare for the possible risks related to exporting. Consequently, *RELANCE*'s previous experience will be extremely important in order to adequately prepare for and mitigate any risks in its entry into the Singaporean market.

Given that the Relance Company exports to China, it is essential that a brainstorming session be carried out by the three partners in order to evaluate the procedures carried out with that country and the problems they encountered. They could then prepare an entry strategy based on their past experience, correcting weaknesses and enhancing strengths.

Leather scarcity / Partnerships with local companies (W1 / O9)

In one of the visits to the Relance Company's facilities, some problems and limitations were detected relating to their manufacturing process. One very important limitation is the reduced amount of leather available in the market to produce the *RELANCE* shoes.

Effective and timely measures will have to be taken in order to solve this issue, given that one of the ways the company differentiates itself is through the quality of its leather. Thus, the *RELANCE* Company will have to foster and create agreements with leather industry associations or, if insufficient, import the leather from elsewhere. In **exh10.3**, there are a list of leather producers that the Relance Company could contact in order to check prices, quality and any potential for importing.

These are the most import ones, the others are in **exh16**.

INTERNATIONALIZATION PLAN

MODE OF ENTRY

The mode or form of entry into international markets may take various forms due to the wide range of activities that international business presents and it certainly depends on the time-frame in which it intends to do so. Thus, it is possible to identify a range of modes of entry in foreign markets that can dictate success or failure.

Given the above, *RELANCE*'s mode of entry in the Singaporean market must be planned as thoroughly as possible in order to reduce the risk and the likelihood of failure. Of all the analysed entry modes (**exh17**), all of these (and others) have their advantages and their limitations. Based on this analysis and in conformity with the *RELANCE* Company's objectives, the available resources, the availability of funds, its VRIO and culture, I consider the direct export mode of entry to be the most appropriate for the company.

Thus, *RELANCE* will enter the Singaporean market through an agent, Mr. Andre Silva, one of the company's partners who, during his 15 day stay in the country, having meetings with potential distributors. Please find in **exh21.4**, a list of distributors with the most recognition and market power in Singapore, who were chosen by me, according to each company's VRIO and its strategy.

In a more long-term perspective, I believe that *RELANCE*, after gaining some familiarity with the market, should schedule meetings and negotiate with retailers

directly. In **exh21.3** is a list of retailers in Singapore who were selected by me, according to each company's strategy and values.

IMPLEMENTATION PLAN

PRODUCT

In order to successfully enter the market, the product strategy must be thoroughly studied and validated in order to ensure that the risk behind the strategy is minimized as much as possible. Although the company has always put great effort in marketing its collections in international fairs, the work involved in this strategy will be significantly more considerable.

We intend to market a portfolio with a shoe that fully matches the taste and needs of the Singaporean consumer in particular, and consumers in Southeast Asia in general (**exh18**, general consume trends in Singapore).

Our product should enter the market with different shape in order to catch the consumer's attention, and possibly even the media's.

The collection that would be created would take into account the hot and humid climate in the country. The shoes would have neutral colors, such as black, white and beige (**exh18.2**, Singapore consumer characteristics).

The research carried out at various retail chains that sell women's shoes allowed the company to find market space, in order to produce elegant, distinctive and high-quality shoes with the *RELANCE* brand. An idea with significant potential would involve manufacturing a shoe with a "capitone" texture. The capitone style is widely used in the artistic world, especially in the home interior decoration industry. Capitone is characterized by having a flashy and bold effect, without being too excessive and making the shoe keeps its elegance and glamour.

Another shoe style that I think that could be worthwhile to develop would be one designed and manufactured with cork. It is a well-known material in various countries and could develop into a strategic link to attract the consumer and foster his interest in Portugal and the quality of Portuguese goods. Many retailers already use cork for making clothes and fashion accessories such as bags, wallets, etc.

Focusing specifically on Singapore's climate, another shoe that I suggest that could offer much potential would be one with a removable cover. In other words, an original but simple shoe design which, when the weather suddenly worsened, (a common situation in Singapore) would allow the shoe to be covered, making it more of

a hybrid between a shoe and a boot. It could be a useful solution for consumers, when outside and faced with a sudden weather change, given that they would be able to apply or remove the cover quickly and with ease.

The ideal shoe for the Singaporean woman, given her short stature and her desire for social status, could be one with a thin heel, but with a wider base. This shoe aims not only to be extremely elegant, but also to be able to offer more comfort and balance to the cosmopolitan Singaporean woman (**exh18.3**, pictures of the suggested models).

In the end, the main objective will be to have an attractive product, with quality and an attractive design, which will thus raise consumer awareness and desire for the Relance brand.

PRICE

In relation to the price set by the company, several factors must be considered for the selling price of the *RELANCE* shoe to be profitable, i.e. it must cover all costs and include profit margins for both the *RELANCE* Company and other entities, depending on the chosen entry strategy.

Portuguese footwear exports to Singapore face no customs fees due to Portugal being part of the group of countries with MFN status (Most Favoured Nation), **exh19**.

According to the data, the average cost of producing a *RELANCE* shoe is **31.24€**. These costs are divided as follows, per unit: 55% raw materials, 20% labor, 12% manufacturing overhead, 1% financial expenses and 12% profit margin. For all this data, we incorporate a small margin of error.

Data provided by *APICCAPS* indicates that in a normal sales process between the producer and the final consumer, we may be considering the difference between the ex-factory price (FOB) and the retail price to increase on average roughly 3-4 times. Concerning the prices charged in China by *RELANCE*, I decided to increase 2% in the medium price, because of the fact that that in Singapore does not have taxes like in China, 24%, even if this cost is borne by the buyer, but with implication to *RELANCE*.

After the most useful information has been gathered, the medium price that I suggest to *RELANCE* in Singapore is **36,21€** (51€, 35,7€, 30,6€, 27,54€ high boots, ankle boots, shoes, sandals, respectively), achieving a margin of 15,9%.

In short, the objective is to not to set prices that are significantly different from those charged by the company in the Chinese market, as the strategy in Singapore

involves eventually marketing the *RELANCE* brand in neighboring markets such as Australia, Malaysia, China, among others, and the prices must thus be similar, with a minimal margin of error.

PROMOTION

It is crucial for the success of this strategy that the *RELANCE* Company make a huge effort to invest as much as possible on product promotion.

The *RELANCE* brand is not at all known in the Singaporean market, so its arrival would have to bring about significant interest/enthusiasm, and should take into account that the Singaporean consumer pays significant attention to promotions and advertisements in the lifestyle sector (**exh20**, the entire analysis). To lure and attract the potential buyer, in our case the woman with medium-high purchasing power, who strongly values a high quality shoe that is not only comfortable but possesses significant charm and fashion status, is a challenge that the Relance brand must be ready to face. When the product is exposed to the public, the aim will be to implicitly communicate to consumers the quality of our product and enhance the reputation of the "Made in Portugal" label.

It is crucial that the Relance Company establish the appropriate contacts in order to be present in the major event "Asia Fashion Exchange" (**exh20**, the entire explanation), which is one of the most acclaimed events of the lifestyle sector in Singapore, incorporating a number of sub-events that brings together retailers, distributors and merchants, both at the national and international level.

If the *RELANCE* Company managed to obtain an advertisement or endorsement in one of the magazines with the highest circulation in Singapore, this would be very positive for the brand. By information from Fatima Ionescu, the Singaporean women are highly influenced by magazines and this would thus be an appropriate means of product promotion, reaching the market segment we want to target (**exh20.1**, the most popular magazines in Singapore).

Although it would be important to attract more Singaporean consumers and others, it would not make sense to launch the brand with price promotions from the outset, as that is not our goal and would be incompatible with the Relance brand's premium image. Another potential solution could be to establish a loyalty card that could offer a skin spray, or another similar beauty item. We intend to target here one of

the "follies" of Singaporeans: cards with gifts. Later one, I suggest to RELANCE to do promotions, in order to get more visibility and reach more potential clients.

One type of promotion that is often very effective is having a public figure wear shoes with the Relance brand. This would not only attract the attention of the media, bringing significant publicity to the brand, but would also inspire consumers, who are concerned with their image and status. In order to do this public figures and/or models in Singapore with the greatest media impact would be shortlisted, with the more accessible ones being offered a pair of Relance shoes, inside a box with a letter congratulating them for their past achievements.

Thus, the objective would be for these celebrities to regularly wear the shoes in order to maximize media buzz. This strategy needs to be made by the company *RELANCE*. Obviously, this strategy needs to be negotiated with the intermediary. These promotional campaigns described previously will significantly help to create enough awareness and curiosity around the *RELANCE* brand, as soon as it manages to showcase its first pair of shoes.

In the future, and if relations with Singapore develop and become stronger, the Relance Company would try to, along with other brands, hold regular events in hotels, in order to exhibit new trends, maximize networking between producers and distributors and, of course, inform consumers of the whole production process, values underlying the brand and other relevant information. People would be greeted with cocktails and fashion parades would be organized.

DISTRIBUTION CHANNEL

Thus, based on our study of different possible distribution channels, the objective is for the Relance Company to directly contact distributors in the country.

The most attractive option at first glance would be to directly contact retailers, thus eliminating the distributors' profit margin, but these decisions fundamentally depend on market characteristics and, of course, on how ambitious the company's strategy of gaining market share plans to be (faster gains with distributors, slower gains when contacting retailers directly), the costs that the company intends to support (lower logistics costs, lower stock inventory and storage costs with distributors, higher logistics costs, higher stock inventory and storage costs when selling directly to retailers) and the ambition of creating a strong brand image (more difficult and time

consuming with distributors, easier, less time consuming, although more costly when selling directly to retailers).

According to this brief analysis, in a short time, the distributor seems more interesting because *RELANCE* wants to spread its image in Southeast of Asia. Later one, could be a possibility to negotiate directly with retailers, but *RELANCE* needs to build an efficient logistics process and be more present in this continent.

Following this idea in **exh21** there is a list with the names and contact details of key distributors and retailers with the greatest influence on the market of the destination country and beyond, following the initial premise of using Singapore as a strategic hub to target other major markets such as Japan, China and Australia.

Therefore, Mr. Andre Silva's business trip to Singapore would be previously scheduled, to ensure the booking of all the necessary meetings, in order to reach the best business deal possible to achieve and to ensure it becomes sustainable and valuable in the short, medium and long term.

In this case, Mr. Andre Silva's trip would be scheduled for the second and third week of May, in order to be able to take advantage of the media frenzy surrounding the Asia Fashion Exchange (AFE) that takes place at this time, engage in networking, understand the current and upcoming market trends and obtain the opinions of designers and of the most respected people in fashion and footwear industries. This is certainly one of the most important and prestigious events of the sector in Singapore. Before his departure, Mr. Andre Silva would schedule in advance (a respected and well-looked upon practice by Singaporeans) meetings with the major distributors in Singapore, using the contacts given by me in **exh21.4**. Using the aforementioned list, by having access to the names of those responsible and their contacts, he will be able to make contact with the most renowned retailers and distributors of the market.

The letters sent in order to schedule the meetings should always be sent in the recipient's name, should also explain the concept underlying the *RELANCE* brand, and should indicate the countries in which it already operates, such as China.

The scheduling of meetings would not be carried out randomly, being meticulously planned to ensure its strategic purpose and to ensure that bargaining power and decision-making remain firmly in the hands of *RELANCE*.

Therefore, a significant effort will be made in Mr. Andre Silva's first week in the country, to ensure that all meetings are attended with distributors. Given Mr. Andre Silva's experience with the footwear industry, after all the meetings he will analyze the

situation in order to understand what the most feasible option is and review the different possible types of contracts between the different distributors.

At the meetings, it will be crucial to fully understand the relevant issues for decision-making, such as: the company's market power; other potential markets to which the company may eventually take the *RELANCE* brand; the influence of the company in the Singaporean market; the different points of sale of the company, including department stores; the logistics costs of sending the goods as well as the entity responsible for them; ensure a branding strategy focused on promoting the quality of the shoe, among others.

In his trip, it is very important that Mr. Andre Silva be accompanied by a portfolio with various examples of the type of footwear his company markets, as well as footwear samples that he will take with him to Singapore.

Another positive point that *RELANCE* could take advantage is the contact of Fatima Ionescu. I also suggest to Mr. Andre Silva to meet with her in order to get more feasible information about trends, places, etc.

4 M's

MEN

Human Resources are critical to the success of this implementation. The *RELANCE* team, already, has most of the HR that are fundamental to this process, but it does need to create an export department and designate someone to fill this new managerial vacancy.

Given the brand's international expansion, it is crucial that there be a department responsible for all sales abroad, which receives constant feedback from intermediaries, which organizes country visits and which allows for this process to be sustainable for the brand.

A junior designer who can bring new and inspiring ideas, that strongly values innovation and differentiation, and that becomes fundamental to selecting the most appropriate footwear design for each destination country. *RELANCE* has already this person. An export/marketing manager, Mr. Pedro Ferreira, who should take on the implementation strategy, the preparation of presentations and reports, product promotion and marketing, the scheduling of meetings with potential customers and the providing of support in the negotiation of contracts. A product manager, Mr. Andre Silva, should work together with the designer and the export department, be

responsible for closing business deals in the country, make annual visits to the city and of course, be the "face" of *RELANCE* abroad

MONEY

In terms of Human Resources costs, we will only have the cost of hiring an internationalization expert with good communication skills, whose monthly salary will be 750€. *RELANCE* should hire this new employee through an IEFPP internship in order to reduce costs and increase incentives from the Portuguese state.

Given that the key to this strategy is the sales agent, Mr. Andre Silva, we will take into account his estimated travel costs of 2 000€ (600€ for the plane ticket, 306€ for 15 days accommodation and 1 100€ for other expenses) in 2016. After that the travel costs reduce to 1300€ each year. This trip should be done once a year in order to personally receive feedback. A 500€ expense will be allocated, in the first year, to create a portfolio of products that will be promoted by Mr. Andre Silva in Singapore.

Forecasts for the first five years of *RELANCE*'s entry into the country can be found in **exh24**, including price and quantity sold per year.

MINUTE

		2015									
		J	F	M	A	M	J	J	A	N	
Pre Entry	Purchase plane tickets	✓									
	Prepare Portfolio of products according to Singapore's needs	✓	✓								
	Plan meetings with potential distributors			✓							
	Study business customs and procedures in Singapore exh20			✓							
	Prepare Mr. Andre Silva's business trip				✓						
	Develop a Communication Strategy					✓					
Entry	Visit the Asia Fashion Event, exh20					✓					
	Meet Fatima Ionescu, a Portuguese expatriate in Singapore to obtain some local information					✓					
	Meet and negotiate with potential distributors					✓					
	Conference-call with expert manager to choose the best deal					✓					
	Close a negotiation - sign contracts					✓					
	Monitor operations and Activity Reports						✓				
Post Entry	Analyze potential new markets through Singapore									✓	
	Develop new partnerships in Portugal- suppliers, designer centers									✓	
	Develop new partnerships in Singapore									✓	

MEMO

	Objectives	Target	Measurement	Initiatives
Financial	<ul style="list-style-type: none"> -Increase sales revenues -Increase client portfolio 	<ul style="list-style-type: none"> -Payback period of 2 years -Achieve 5% of the foreign market share in 2 years 	<ul style="list-style-type: none"> -Number of B2B clients -Number of pairs of shoes sold -Number of complaints % growth year-on-year 	<ul style="list-style-type: none"> -Direct export -Strategy/marketing/promotion supported by local distributor -Partnerships with the most recognized organizations in SGP
Distributor	<ul style="list-style-type: none"> -Build trust and reliability -Provide special training to the local distributor -Allow for constant feedback -Control distributor's performance -Receive updates on the Singaporean trends 	<ul style="list-style-type: none"> -Correspond to Singaporean needs and desires -Keep distribution costs low to maintain a competitive price -Enhance ability to take RELANCE brand to others markets -Distributor must maintain a high reputation 	<ul style="list-style-type: none"> -Networking of the Distributor -Number of new partners and distribution contracts -% of area covered by distributors -Quality of the feedback given by distributor -Ratio of distribution expenses/volume sales 	<ul style="list-style-type: none"> -Make periodic visits to SGP in order to interact with clients -Efficient communication with distributor -Schedule meetings in advance in order to receive timely information -Continuing to attend fairs and events in order to be active and alert to any market news and novelties
Customer	<ul style="list-style-type: none"> -Create brand awareness in Southeast Asia -Enhance brand reputation 	<ul style="list-style-type: none"> -95% of customer satisfaction -50% of brand awareness in 3 years 	<ul style="list-style-type: none"> -Market Share -Market studies on brand awareness 	<ul style="list-style-type: none"> -Participation in the Asia Fashion Exchange in SGP -Negotiate premium shelf space for <i>RELANCE</i> products -Participation in fashion events in the city
Internal	<ul style="list-style-type: none"> -Recruit talented employees -Invest in employee training -Establish local partnerships → suppliers -Be present in the Asia Fashion Exchange in SGP 	<ul style="list-style-type: none"> -2 local partners - suppliers 	<ul style="list-style-type: none"> -Workforce size -Number of strategic partners 	<ul style="list-style-type: none"> -Promote strong relationship between the Portuguese and Singaporean Delegations and Associations -Frequent feedback by the distributors -Ensure <i>RELANCE</i>'s participation in the Asia Fashion Exchange in SGP -Invest in employee training -Provide coaching to the most talented worker to substitute Mr. Andre Silva if necessary
Learning	<ul style="list-style-type: none"> -Obtain Market knowledge -Obtain economies of scale & scope 	<ul style="list-style-type: none"> -Implementation time: 2 weeks -Increase productivity by 10% 	<ul style="list-style-type: none"> -Reduce cost of production by product - Recognition in Southeast Asia 	<ul style="list-style-type: none"> -Review the prices of Portuguese suppliers -Collaboration with the Asia Fashion Exchange -Increase R&D investment -Promote strong relations with Portuguese Associations, <i>AICEP</i> -Design different shoe features, inspired by Southeast Asia's culture and needs

FINANCIAL PROJECTIONS

In order to study the feasibility of the project, a P&L forecast was carried out, considering a five year timeline.

The purpose of this forecast was to calculate the incremental 2015-2020 NPV, discounted by *RELANCE*'s **WACC in Singapore**. The WACC, calculated to be 0.05, was obtained by applying the CAPM formula, **exh24.1**.

For a more complete evaluation, three scenarios were used, one pessimistic, one normal and one optimistic. The **market size** was estimated by taking into account the number of women in Singapore, aged between 25-49 years and who receive a monthly salary higher than 2629.68\$SGD. After carrying out the analysis, I estimated that Relance would be able to reach 1% of this target, thus attaining a total of 5000.

With regard to costs, the cost of sales refers to the cost of manufacturing the shoes; portfolio costs refer to the cost of creating of a range of products to be promoted in Singapore during Mr. Andre Silva's trip; the business trip cost incorporates the plane ticket and accommodation expenses of Mr. Andre Silva in the country for 15 days in the first year and 7 days for the remaining years; transportation costs refer to the additional cost that *RELANCE* will have to incur for its products to reach Singapore.

For the pessimistic scenario, the expected initial amount of sales was reduced (5000 to 3000), as well as the annual growth rate (5% to 2%), **exh24.3**. In the case of the optimistic scenario, the expected initial amount of sales was increased (5000 to 7000), as well as the annual growth rate (5% to 7%), **exh24.3**.

Thus, based on the aforementioned assumptions, all there scenarios have **positive incremental NPV's**, which suggests that ***RELANCE should penetrate the Singaporean market.***

RISK ANALYSIS

Internationalization has its risks, due to issues that may arise in the destination country; in the company itself or in other domains that may otherwise interfere with the credible and lasting success of a cross-border business process.

One of the main risks that can dictate the failure of *RELANCE*'s operation in Singapore is the choice of the distributor/retailer. One must be very careful when closing the deal with the intermediary and one must ensure the contract contains all of the orally agreed terms. The choice of the intermediary must equally take into account

the contacts and connections this entity has in order to successfully launch *RELANCE*'s products into the market. Mr. André should mitigate these risks by studying and analyzing in advance which sales channels each intermediary can offer. If a retailer is selected, it is crucial to analyze its market power in order to maintain the premise of sustainable growth.

Due to the large number of companies based in Singapore, there is the risk of the Relance brand failing to capture the potential consumer's attention. With this in mind, the company's entry should be strong, in part by signing contracts with intermediaries that are strong in the Singaporean market, as well as with connections to Southeast Asia.

One risk inherent to all this process is the Relance Company's limited production capacity. Interviews with the company partners revealed that the company sporadically resorts to outsourcing to match demand peaks which occur at certain times of year. However, this solution, while efficient at first sight, has until now failed to bring about positive results, given that the outsourced products do not arrive at the factory in accordance with the quality standards required by Relance.

Due to the planned entry into the Singaporean market and the potential expansion to the rest of Southeast Asia, it is crucial that steps be taken to reduce and eventually extinguish *RELANCE*'s need for outsourcing. Potential measures would include moving the factory to a larger site, making the possibility of hiring more employees for peak seasons more feasible. Another alternative could be to extend the working hours, and, when necessary, implement night shifts (e.g. Renova). With the implementation of these measures the company would have significantly less quality control issues and would also have greater control over when it actually receives the finished goods.

Furthermore, due to the increased demand from entering a new market, Relance is at risk of failing to satisfy orders, due to not enough premium raw materials being available in the market, especially leather. The scarcity of natural or synthetic leather has been a major concern for the footwear industry. This issue must be resolved as soon as possible, given that the characteristics of the leather used in Relance shoes are what distinguish it from the other players.

Thus, given that the supply of fur is limited in Portugal, the company must work together to mitigate this dependency. It would be recommendable to establish agreements with small leather producer associations in Portugal, agreeing to purchase

X batches of leather monthly. Relance can benefit from small producers by requiring the leather to be produced naturally and without chemicals, given that these often do not have the machinery to carry out the leather processing. If this solution is not feasible, Relance should attempt to supply itself in other countries. **Exh10.3**, lists the contacts of several leather producers.

Using intermediaries to reach the Singaporean market has disadvantages, with one of these being the risk of having limited feedback and market monitoring. If the Relance Company decides to do business with large distributors, the range of brands that these sell is enormous, which implies that each brand will receive reduced focus and attention. Relance cannot afford to take this risk, as it may dictate the success or failure of its strategy.

Thus, Mr. André will have to make regular visits to the country to personally obtain feedback and clearly understand, when negotiating business contracts and clauses, the intermediary's level of commitment and motivation in working with the Relance brand. In more general terms, Coface⁴ has alerted to the growing risks related to household indebtedness. According to the organization, in 2012 the ratio of household debt to disposable income reached 134% in Singapore, a very similar percentage to that of the United States before the subprime crisis (130%).

It is crucial that the entry into Singapore be carried out long before any "bubble" bursts, taking advantage of the euphoria that has been observed in the lifestyle sector in the country. The fact that the Relance Company's long-term strategy is focused on using Singapore to reach the rest of Southeast Asia reduces this risk.

Thus, Mr. André's main objective will be to ensure that the intermediaries with which the company chooses to do business with will have the visibility and the potential to market Relance products in Southeast Asia.

In short, a company obviously cannot expand with zero risk, but should nevertheless take every precaution in order to ensure that all risks are fully minimized, which should be the aim of the Relance Company.

⁴ French Insurance Company

CONCLUSION AND RECOMMENDATIONS

A comprehensive analysis of the *RELANCE* Company, an exhaustive study of the Singaporean industry and the company's financial projections show that *RELANCE* should enter the Singaporean market.

The mode of entry I considered to be most appropriate according to the company's *VRIO* and *PESTEL* analyses is that of the direct export, with Mr. Andre Silva as the company's sales agent. In addition to being one of *RELANCE*'s partners, his experience and expertise will boost his commitment and motivation during his stay in the country and when negotiating deals with potential distributors.

The financial projections carried out for the next five years have positive NPV's for all scenarios, as well as a profit margin of 15.9%. The fact that Portugal belongs to Singapore's free trade zone, **exh23**, makes tax rates minimal, so the decision was made to increase the sale price to the distributor by 2%, relative to the price charged by *RELANCE* in China, which has a 24% tax rate.

The sale price to the distributor will be on average € 36.21 and the price charged to the end customer should be roughly three times higher.

In terms of the risks inherent to this project, *RELANCE* should take care in choosing a good distributor, who will be crucial to the success of this strategy; the company should also focus in reducing its dependence on Portuguese leather suppliers, following the typology developed in the *TOWNS* analysis. *RELANCE* should also try to reduce its dependence on Mr. Andre Silva, so that in his absence there is always someone who can monitor and manage the company's logistics, allowing for the smooth running of operations, in an efficient and effective manner.

In relation to the choice of the destination country, I selected Singapore with a broader vision, considering this country to be a building block and a strategic hub, to enable, in the medium and long-term, *RELANCE* shoes to be sold in other countries of South East Asia, as well as in China, Japan and Australia, **exh14**, given its close relations with these countries and the thousands of tourists who annually visit Singapore.

The company should also bolster its presence in footwear and apparel trade shows around the world, such as the Asia Fashion Exchange in Singapore.

The company should also consider increasing its marketing budget in order to invest in the strength of its brand, thus increasing brand awareness.

In short, as Jim Rogers mentioned, new opportunities nowadays are in Asia and the **RELANCE Company** and its brand will certainly be a **Portuguese success story abroad**.

REFERENCES

Michael E. Porter: Competitive Advantage - Chapter 2 - The Value Chain and Competitive Advantage (October 14).

Michael E. Porter, “What Is Strategy?” Harvard Business Review November–December 1996 (October 14).

Robert S. Kaplan and David P. Norton, The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment, Harvard Business School Press, 2000 (October 14).

Besanko, Dranove, Shanley, Schaefer: Economics of Strategy, 3rd Edition, Wiley - Chapter 11 - Sustaining Competitive Advantage (October 14).

ABNT-Brazilian National Standards, Footwear Industry Profile: Singapore. Footwear Industry Profile: Singapore. 1-30, May 2014, (October 2014).

Robert S.Kaplan and David P.Norton, Marketing Management, 14th Edition - Kotler & Keller, Mastering the Management System (October 14).

Daniels, John; Radebough, Lee; Sullivan, Daniel. International Business, 13^oEdition. Chapter 14, Export and Import Strategies(October 14).

The New Strategic Brand Management: Creating and Sustaining Brand Equity long term 4^oEdition (October 14).

Porter, Michael.2008-“The value chain and competitive advantage”. In Competitive Advantage: creating and sustaining superior performance, ed. Simon and Schuster, 33-52 pp. New York: The Free Press.

APICCAPS FOOTWEAR 2020,<http://www.apiccaps.pt/web/guest>(October 14).

MICAM 2014,<http://www.micamonline.com/> (October 14).

ABNT-Brazilian National Standards, Keen Meng, C. BUSINESS CYCLES IN SINGAPORE: STYLIZED FACTS FOR A SMALL OPEN ECONOMY. Pacific Economic Review. 16, 1, 18-35, Feb. 2011. ISSN: 1361374X, (October 14).

PÚBLICO JOURNAL,<http://www.publico.pt/tema-de-capajornal/a-historia-de-uma-industria-condenada-que-se-tornou-um-modelo-para-portugal-27262596> (October 14).

CTCP2014,<http://www.ctcp.pt/> (November 14).

AICEP, Portugal Global, <http://revista.portugalglobal.pt/AICEP/Documents/FMSingapura/> (October 14).

ASEAN BRIEFING, <http://www.aseanbriefing.com/regions/Singapore.html> (October 14)

Department of Statistics Singapore, http://www.singstat.gov.sg/statistics/browse_by_the_me/national_accounts.html (November 14).

Consumer Expenditure on Clothing and Footwear: Euromonitor International from national statistics/Eurostat/UN/OECD, (November 14).

FORBES, <http://www.forbes.com/2010/10/26/ishares-msci-gdp-intelligent-investing-singapore.html> (November 14).

EXPORTS.GOV, <http://export.gov/Singapore/contactus/index.asp> (November 14).

BES Research, http://www.novobanco.pt/Imagens/Documentos/Research/Research_Sectorial/International/Singapore%202012.pdf (November 14).

IESINGAPORE, <http://www.iesingapore.gov.sg/export-overseas/export-guide#> (November 14).

SRA, Singapore Retailers Association, <http://www.retail.org.sg/> (November 14).

IESE, Working Paper, New Frontiers in International Strategy. World Bank, singapore data, <http://data.worldbank.org/country/Singapore> (November 14).

Singapore tax rate, <http://www.worldwide-tax.com/> (November 14)

Embaixada de Portugal em Singapura, <http://www.embaixadasingapura.com/pt/pbs/> (November 14).

Singapore Business Federation, <http://www.sbf.org.sg/> (November 14).

Kapferer, 2012, The new Strategic Brand Management, Fifth Edition, Kogan Page, Chapter 07 (December 14).

Ikujiro Nonaka, A Dynamic Theory of Organizational Knowledge Creation, Vol 5 N°1 (Feb 1991) pp. 14-37 (December 14).

Trading Economics, <http://www.tradingeconomics.com/singapore/wages> (December 14).

Department of Statistics Singapore, http://www.singstat.gov.sg/publications/publications_and_papers/household_income_and_expenditure/pp-s20.pdf.

KNOEMA, <http://pt.knoema.com/atlas/ranks/PIB-per-capita-baseado-PPA> (January 15).

Best Singapore Guide, <http://www.best-singapore-guide.com/singapore-shopping-mall.html> (January 15)